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C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 002768

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TAGS: [EPET](#) [EINV](#) [ENRG](#) [SENV](#) [EFIN](#) [IZ](#)  
SUBJECT: WORLD BANK OFFICIALS ON ENERGY STRATEGY, WORLD  
BANK PRIORITIES

REF: A. EMBASSY 8/15 UNCLASSIFIED OI  
[1](#)B. EMBASSY 8/19 CLASSIFIED OI

Classified By: CETI Ambassador Marc Wall, reasons 1.4(b,d)

[1](#)1. (C) SUMMARY: While the World Bank has the expertise to assist the Iraqi Government develop a national energy strategy and believes a strategy is important, working level staff in the World Bank's headquarters will not expend resources on this effort until the GOI demonstrates a genuine commitment. World Bank willingness to provide advisory assistance would be heightened if the GOI were to develop a financial relationship with the World Bank as well. For example, the World Bank could facilitate Independent Power Project investment by providing political risk insurance through the Multilateral Investment Guarantee Agency (MIGA) or co-financing projects to reassure potential investors. In conjunction with developing an interim country strategy for Iraq, the World Bank plans to expand its resident staff; in addition to the country director, World Bank staff would include two program managers and two regional or local staff augmented by visits of sector experts. A visiting World Bank official also appealed for U.S. efforts to encourage the GOI to take the steps necessary for Iraq to achieve candidate country status with the Extractive Industries Transparency Initiative by a February 2009 conference in Doha. END SUMMARY

Candid Comments

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[1](#)2. (C) A visiting World Bank (WB) official met with us and Energy Fusion Cell (EFC) representatives on August 24 to provide an update on World Bank developments and future plans for its Iraq program. He spoke candidly and noted that he would not report back some of his comments due to headquarters views that differed from others in the field regarding Iraq priorities. Please protect accordingly.

Energy Strategy

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[1](#)3. (U) The meeting was a follow-up to an August 14 meeting of Embassy and EFC representatives with Abdulilah al-Amir, deputy to PM adviser Thamur Ghabban (ref A). During the meeting, al-Amir explained that PM al-Maliki had directed the PM Advisory Commission to form a "High Committee," chaired by the PM or DPM to prepare a National Energy Strategy. The High Committee membership would include the relevant line ministries -- Oil, Electricity, Water, Planning, Finance -- and the Ministers of Oil and Electricity had already agreed to the approach. Al-Amir turned to EFC to obtain a list of world-class consultancies to prepare a draft energy strategy. He said a consultant should prepare a plan within a year or less and opined that it should cover a 10-year period. We followed up with a visiting World Bank official, who had previously been assigned in Iraq, to report the outcome of the meeting and to learn how the World Bank might support this process.

¶4. (C) The WB official said that World Bank colleagues who work in the energy sphere could also provide the names of specific individuals, in addition to well-known firms and the World Bank's own in-house capability, who had the exact background best suited for the project. At the working level, however, the World Bank insisted that Iraq must demonstrate a genuine commitment to developing an energy strategy before the World Bank would provide assistance. Referring to an earlier e-mail, the WB official reiterated that the Iraqis needed to more narrowly and precisely define their requirements for a national energy strategy; al-Amir had been too vague in describing what a national energy strategy should contain. Our contact agreed that the World Bank could usefully enter into a dialogue to educate the GOI regarding the purpose and scope of an energy strategy and to tease out GOI energy priorities, but the relevant World Bank officials would not travel from Washington absent a sign of GOI commitment.

¶5. (C) In a perhaps related development, the WB official said Minister of Energy Karim Wahid al-Hasan had written a letter requesting World Bank assistance in three areas -- a national energy strategy, a renewable energy program (specifically wind and solar), and attracting Individual Power Project (IPP) investment. (Note: While the WB official was probably relaying the language used in the letter, it is unclear whether Karim was actually referring to a national energy strategy or a development program specific to the Ministry of Electricity.) The Ministry of Electricity had already hired a consultant to develop an IPP contractual structure, which the WB official thought might be IPA. (IPA is a consulting company with offices in Edinburgh, London, Abu Dhabi,

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Melbourne, and Shanghai that specializes in energy, water, and infrastructure management areas.)

World Bank Country Program  
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¶6. (C) The WB official welcomed the most recent signs that the GOI was becoming committed to developing a national energy strategy and commented that, if the GOI were serious, the timing would be fortuitous. The World Bank was in the process of developing its interim strategy for Iraq. The strategy would focus on public finance management and broader governance issues, plus one or two key sectors. The possible sectors included energy, water, education, and health. The WB official noted that, from September until the end of the year, he would assist incoming World Bank country director Jean-Michel Happi to settle in and would himself be based in Beirut. As the WB official transitioned from this role, he hoped to devote himself increasingly to Iraq and to regional energy sector development (in Syria and Iran, as well as Iraq). He promised to seek an early meeting, probably in the first week of September, between Happi and Ghadban to stress the importance of genuine Iraqi commitment to a national energy strategy that would be evidenced at a minimum with a letter requesting World Bank assistance, which should then be followed up with face-to-face meetings between the appropriate GOI and World Bank officials.

¶7. (U) Note: In February 2008, WB Director for the Middle East Department Hedi Larbi discussed the Iraq Interim Strategy Note with Minister of Construction and Housing Bayan. Larbi stated that the new note would be formulated in September 2008 and completed before the end of the year. He added that it would be created with consultation and direction of the GOI. Larbi assured Bayan that the WB would not include anything the GOI did not specifically request. End note.

¶8. (C) In addition to our read-out, the WB official noted that another sign that the GOI might want World Bank involvement in the energy sector had been Deputy Prime Minister Barham Salih's recent letter to World Bank Group

President Robert Zoellick requesting World Bank involvement in construction of the Iraq-Jordan gas pipeline. While the letter was vague regarding the nature of World Bank involvement, the offer pointed to another issue about which Iraqi Government officials needed to be aware, i.e., an advisory relationship would be facilitated if the World Bank had a financial relationship with the GOI in its energy sector. Although direct loan activity would not be appropriate with Iraq's abundant oil revenues, the World Bank's financial instruments could leverage the GOI's own capital development or facilitate private sector engagement. World Bank financial engagement could take the form, inter alia, of co-financing to reassure service providers of payment or political risk insurance provided through World Bank affiliate, MIGA.

#### Extractive Industries Transparency Initiative

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¶9. (C) The WB official also asked the U.S. to encourage the GoI to take the next steps to join the Extractive Industries Transparency Initiative (EITI). (Note: Per its website, EITI is a coalition of government, companies, civil society groups, investors, and international organizations. It supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.) The WB official said Iraq had formally committed to EITI and the World Bank hoped the GOI would take the steps necessary to become an EITI "candidate country" by the February 2009 international EITI conference in Doha. The GoI would need to appoint a senior GOI interlocutor and develop a work plan. The WB official would request that the GOI convene a meeting of the Deputy Prime Minister and Ministers of Oil and Finance to appoint the interlocutor.

#### Other World Bank Activity

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¶10. (C) In an August 18 meeting, Happi told us (ref B) the WB is planning to add four staff -- two project managers (one of whom will be a public finance management expert) in the offices in the IZ and two local or regional hires to work with a low profile in the red zone (please strictly protect). Happi said the plan for the latter two is not 100 percent final, but it is his operating assumption. In addition the Bank will be bringing in experts both from the Amman WB office and private consultants from time to time. He mentioned that standard practice is for two assessment

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missions to be carried out per year for each program. In response to a question, Happi said the WB's new Iraq strategy will be shared with the Embassy in draft before being finalized. He also said he plans to convene a donor meeting in September of all Baghdad-resident donors, and intends for this to launch a series of coordination meetings through the end of the year. Happi concluded that the Bank is trying to figure out how best to engage in Iraq as a) IRFFI Funds dwindle; b) Iraq no longer qualifies for IDA funding; and c) the GOI does not want lending on normal IBRD terms. The new strategy will explore this issue.

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